

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

<b>In re:</b>	:	<b>Chapter 11</b>
	:	
<b>STEWARD HEALTH CARE SYSTEM</b>	:	<b>Case No. 24-90213 (CML)</b>
<b>LLC, et al.,</b>	:	
	:	<b>(Jointly Administered)</b>
<b>Debtors.<sup>1</sup></b>	:	
	:	<b>Emergency Hearing Requested</b>
	:	<b>for December 2, 2024</b>

**COMMONWEALTH OF PENNSYLVANIA’S EMERGENCY REQUEST: (A) FOR  
STATUS CONFERENCE AND (B) MOTION FOR CONTINUANCE OF NOTICE  
DEADLINE REGARDING SHARON REGIONAL MEDICAL CENTER**

NOW COMES The Commonwealth of Pennsylvania, by and through its Attorney General, Michelle A. Henry, and hereby files this *Emergency Request for: (A) Status Conference, and (B) Motion for Continuance of Notice Deadline Regarding Sharon Regional Medical Center* (the “Motion”), and would respectfully show this Court as follows:

**INTRODUCTION**

1. Pennsylvania is far along in negotiation with various parties regarding efforts to keep Sharon Regional Medical Center, commonly referred to as Sharon Hospital, in Mercer County Pennsylvania, open and operating so that it can be sold to a neighboring community hospital. There has been an enormous amount of work invested by the Pennsylvania Governor’s Office, the Pennsylvania Legislature and the Attorney General’s Office. These efforts have

---

<sup>1</sup> A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ proposed claims and noticing agent at <https://restructuring.ra.kroll.com/Steward>. The Debtors’ service address for these chapter 11 cases is 1900 N. Pearl Street, Suite 2400, Dallas, Texas 75201.

included Pennsylvania funding \$4.5 million to the Debtors between September and November 2024, to cover operating losses at Sharon Hospital.

2. Pennsylvania believes it can reach agreements with the various parties in order to keep Sharon Hospital from closing and assist in the planned sale to neighboring Meadville Medical Center. However, in order to continue the negotiations, Pennsylvania requests that this Court delay the Debtors' filing of a Notice of Closure for Sharon Hospital scheduled for December 2, 2024. Pennsylvania believes it will be successful in negotiations with the various parties to keep Sharon Hospital open. A short extension period of fourteen (14) days is requested.

3. Another significant reason for Pennsylvania's request concerns the Debtors' last minute funding request. This past week, late afternoon at 3:30 Central Time / 4:30 Eastern Time, on Wednesday November 27, the Debtors contacted counsel for Pennsylvania by telephone and advised that in order to fund December 2024 Sharon Hospital losses, double the amount previously requested was required to keep Sharon Hospital open. The Debtors asked Pennsylvania to commit to \$3 million per month by tomorrow, December 2, 2024, or they will begin the hospital closure process.

4. This is very troubling. And it is unreasonable. It is simply impossible for Pennsylvania to agree to the Debtors' demand by tomorrow morning. In effect, it is a negative notice demand for another \$1.5 million, or "we start the process to shut down the hospital".

5. The Attorney General's office has not been able to contact anyone over the Thanksgiving holiday. Moreover, the documentation to support the larger funding request from the Debtors was not even sent to Pennsylvania until Friday November 29 at 3:30 PM Central Time, 4:30 PM Eastern time.

6. By this Motion, in order to: (a) continue negotiations with MPT, (b) address the Debtors' last minute funding request, and (c) most importantly, save Sharon Hospital,

Pennsylvania respectfully requests a fourteen-day extension of the notice regarding Sharon Hospital.

**NOTE:** A hearing on this matter is being requested for December 2, 2024, at the Court's earliest possible available time.

### **Background**

7. On May 6, 2024 (the "Petition Date"), Steward Health Care System LLC and certain of its affiliates filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §101 et seq. ("Code" or "Bankruptcy Code"). The cases are jointly administered.

8. The Debtors are authorized to continue to operate their businesses and manage their properties as debtors-in-possession pursuant to Code §§1107(a) and 1108.

9. Attorney General, Michelle A. Henry (the "**Attorney General**"), is the chief law enforcement officer of the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania oversees and licenses health care providers.

10. The Debtors are the operator of Sharon Hospital which is a community hospital located mid-way between Pittsburgh Pennsylvania and Cleveland, Ohio. Sharon Hospital consists of a 163-bed acute care hospital and 19 satellite centers and offers specialized services including a heart and vascular center, emergency heart attack/stroke treatment, weight loss center, orthopedics/sports medicine, minimally invasive surgery, emergency care, and a breast care center. Sharon Hospital has over 750 employees and generates an economic impact of \$115,000,000 to the local community.

11. Sharon Hospital has served the region for more than 125 years and is the largest employer in Mercer County, Pennsylvania. It is vital to the local and regional community. The priority of the Attorney General has been, and remains, the preservation of accessible, quality

health care throughout Pennsylvania and in the Sharon, Pennsylvania region. Sharon Hospital is important to the region. It has a local economic impact of over \$115 million annually per the report Issued by HAP (the Health System Association of Pennsylvania) For Fiscal Year 2022.

12. Furthermore, Sharon Hospital is a vital “Safety Net” hospital for the region. For example, in 2022, Sharon Hospital provided over \$7.5 million in Medicaid and Medicare shortfall patient care. It provided over \$4 million in patient care in 2022 regardless of a patient’s ability to pay for the necessary medical services. Also, in 2022, Sharon Hospital provided \$11.5 million community benefits to residents where patient costs exceeded insurance reimbursement.

13. Sharon Hospital has 12 operating rooms, 21 emergency room beds and the closest other “cath lab” medical center is in Youngstown, Ohio, which is twenty minutes away. In 2023, Sharon Hospital conducted 966 cardiac catheterizations and in 2023, Sharon Hospital had 22,893 emergency room visits.

#### **Sharon Hospital Sale to Meadville Medical Center**

14. On July 26, 2024, the Debtors filed the Emergency Motion of Debtors for Entry of an Order (I) Approving (A) Funding from the Commonwealth of Massachusetts for the Planned Transition and Sale of Massachusetts Hospitals, (B) Closure of Carney Hospital and Nashoba Valley Medical Center, and (C) Procedures Related to Facility Closures; and (II) Granting Related Relief (Docket No. 1711) (the “Facility Closure Procedures Motion”).

15. On July 31, 2024 Pennsylvania filed an objection to the Facility Closure Procedures Motion (Docket 1767). Following a hearing on July 31, 2024 to consider the relief requested in the Facility Closure Procedures Motion, the Court entered the Order (I) Approving (A) The Closure of Carney Hospital and Nashoba Valley Medical Center on a Final Basis, and (B) Procedures Related to Facility Closures on an Interim Basis; and (II) Granting Related Relief

(Docket No. 1850) (the “Interim Order”), approving, among other things, the Facility Closure Procedures (as defined therein) on an interim basis.

16. On August 16, 2024, Meadville Medical Center (“Meadville”) submitted a Letter of Intent to the Debtors to acquire Sharon Hospital, contingent on financial support to be provided by various third parties and Pennsylvania to Meadville Hospital in connection with the purchase. After an extensive sale process, Meadville was the only nonprofit entity that has made an offer for Sharon Hospital. Although other parties contacted Pennsylvania regarding an interest in Sharon Hospital, they were new, much smaller, and undercapitalized start-up for-profit entities.

17. On August 22, 2024, Pennsylvania filed the Commonwealth of Pennsylvania’s: (1) Notice Regarding Status of Sharon Hospital Sale Efforts and to Provide Disclosure to Court that the Debtors are Threatening to Close the Hospital, and (2) Objection to Motion Related to Facility Closures (Docket No. 2112).

18. A hearing was held on August 22, 2024 to consider the Facility Closure Procedures on a final basis (the “Final Hearing”). For the reasons stated on the record at the Final Hearing, the Court entered the Order (I) Approving Procedures Related to Facility Closures on a Final Basis and (II) Granting Related Relief (Docket No. 2146) (the “Final Order”), which provided that, solely with respect to Sharon Hospital, the Final Order would be effective and enforceable on and after August 31, 2024. See Final Order ¶ 16.

19. On September 10, 2024, the Debtors filed the Stipulation Regarding Funding by the Commonwealth of Pennsylvania for the Potential Transition and Sale of Sharon Regional Medical Center (Docket No. 2422) (the “Sharon Hospital Funding Stipulation”). Pursuant to the Sharon Hospital Funding Agreement, the Commonwealth has committed to fund \$4.5 million to the Debtors in order to keep Sharon Hospital open pending the purchase of Sharon Hospital by

Meadville. Pennsylvania, or local community organizations it supports, have funded the agreed \$4.5 million to the Debtors.

20. Pennsylvania and Meadville have been engaged in negotiations with MPT of Sharon-Steward, LLC (“MPT-Sharon”) and Medical Properties Trust, Inc. (collectively, “MPT”), in connection with a sale to Meadville of the real estate on which Sharon Hospital operates (the “Sharon Hospital Real Property”), however no agreement has yet been reached.

21. The negotiations with MPT have been extensive and the negotiations are ongoing. As of the time of this filing, negotiations with MPT are in progress.

#### **The Issues Being Negotiated**

22. Pennsylvania is in advanced negotiations with MPT regarding the real property that Sharon Hospital is located on and anticipates reaching a resolution with MPT in the near future. The negotiations were unfortunately slow at first, however Pennsylvania recently filed a lawsuit against MPT in Mercer County Pennsylvania. The gravamen of the lawsuit is that the sale of the real estate on which Sharon sits violated the court order approving the sale of Sharon’s non-profit charitable assets to the prior for-profit operator before Steward acquired the hospital. The Commonwealth is seeking to have the real estate returned to the original charitable foundation which owned Sharon. There is a hearing to show cause why Pennsylvania’s petition should not be granted scheduled for Friday December 6, 2024 at 9 a.m. in this case.

23. In connection with the purchase of Sharon Hospital from the Debtors, the negotiations with the Debtors are progressing. The parties are currently negotiating the form of Asset Purchase Agreement.

24. However, the issue regarding an increase of operating loss funding described in more detail below is being addressed as this motion is being filed. Negotiations are ongoing and may take all of this week.

### **Closure Notice**

25. In the event that the debtors file a closure notice, Pennsylvania believes that there will be irreparable damage to Sharon hospital. Historically when a closure notice is issued, a decline in patients occurs, there are efforts by employees to seek new employment, and efforts by physicians and other professional staff to look for other opportunities as well.

26. The Debtors Closure Procedures previously approved by this Court include sending a WARN Act Notice to Sharon Hospital Employees. The issuance of a WARN Act notice will cause damage immediately. Most healthcare professionals will acknowledge such a notice is a death knell for a hospital.

27. Furthermore, from an estate perspective, it is difficult to estimate the total expense, however, the closure of Sharon Hospital, under Pennsylvania law, will require a lengthy 90-day, Pennsylvania Department of Health approved closure process. The estate will be materially damaged by the hospital closure. It is difficult to estimate, but the closure costs, which would be taking place without Pennsylvania funding, may cost the estate a very large amount.

### **Debtors' Last Minute Funding Request**

28. As noted above, Pennsylvania has funded operating losses at Sharon Hospital since September 2024. In total Pennsylvania has funded \$4.5 million to the Debtors to cover Sharon Hospital operating losses.

29. Pennsylvania is interested in continuing to work with the Debtors to keep Sharon hospital open until such time as the sale to Meadville hospital can take place. However late on Wednesday, November 27 by a telephone call from Debtors' counsel, Pennsylvania was advised by the debtors that the amount needed to fund operating losses in December 2024, increased from \$1.5 million to \$3,000,000. This information was provided to Pennsylvania at the end of the day on Wednesday November 27 - the start of the Thanksgiving four-day holiday. The Attorney General's office has not been able to reach anyone at the legislature or Governor's office to obtain funding of \$3,000,000 to fund December.

30. The Attorney General requested information from the Debtors and two meetings have taken place over Thanksgiving weekend, however, as of the time that this pleading is being filed, the Attorney General has not been able to communicate with anyone capable of providing authority concerning funding \$3,000,000 for Sharon hospital to stay open during December 2024.

### **RELIEF REQUESTED**

31. Pennsylvania requests that the Court provides sufficient time for the Attorney General's office to: (a) continue negotiations with MPT; (b) contact the various departments in Pennsylvania to see whether the requested funding sought by the Debtors can be obtained; and (c) take any and all other steps to keep Sharon Hospital open until such time as it can be sold to Meadville Medical Center.

32. For all of the above reasons noted above, Pennsylvania requests the Court grant the requested extension of fourteen (14) days concerning the closure notice regarding Sharon.



**Conclusion**

WHEREFORE, the Commonwealth of Pennsylvania requests that the Court grant the relief requested herein, and grant Pennsylvania such other further relief as it may be entitled.

DATED: December 1, 2024

Respectfully submitted,

**BY: /s/ Raymond J. Urbanik**  
**Raymond J. Urbanik**  
**Texas 20414050**  
**URBANIK, LLC**  
**13785 Research Blvd**  
**Suite 125**  
**Austin, TX 78750-1826**

**Counsel For:**

**COMMONWEALTH OF  
PENNSYLVANIA, OFFICE OF  
ATTORNEY GENERAL**

**CERTIFICATE OF SERVICE**

I hereby certify that on December 1, 2024, a true and correct copy of the above document was electronically filed with the court using the CM/ECF system, which will send notification to all parties of interest participating in the CM/ECF system.

/s/ Raymond J. Urbanik